

| SOUTHWEST GAS NYSE-SWX  |     |                 |  |      |      |      |      |      |      | RECENT PRICE  | 29.56 | P/E RATIO | 14.6 | (Trailing: 14.9 Median: 19.0) | RELATIVE P/E RATIO | 0.86 | DIV'D YLD | 3.4%         | VALUE LINE |  |  |  |  |  |  |  |  |  |  |
|---|-----|-----------------|--|------|------|------|------|------|------|---|-------|-----------|------|-------------------------------|--------------------|------|-----------|--------------|------------|--|--|--|--|--|--|--|--|--|--|
| TIMELINESS  | 3   | Raised 5/23/08  | High: 29.5                                     | 23.0 | 24.7 | 25.3 | 23.6 | 26.2 | 28.1 | 39.4  | 39.9  | 33.3      | 29.5 | 29.6                          |                    |      |           | Target Price | Range      |  |  |  |  |  |  |  |  |  |  |
| SAFETY  | 3   | Lowered 1/4/91  | Low: 20.4                                      | 16.9 | 18.6 | 18.1 | 19.3 | 21.5 | 23.5 | 26.0  | 26.5  | 21.1      | 17.1 | 26.3                          |                    |      |           | 2013         | 2014       |  |  |  |  |  |  |  |  |  |  |
| TECHNICAL   | 2   | Raised 2/26/10  | LEGENDS  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| BETA  | .75 | (1.00 = Market) | 1.50 x Dividends p sh divided by Interest Rate |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2013-15 PROJECTIONS   |     |                 |  |      |      |      |      |      |      | Options: Yes  |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| Price 50  |     |                 |  |      |      |      |      |      |      | Shaded area: prior recession  |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| Gain (+70%) (Nil)   |     |                 |  |      |      |      |      |      |      | Latest recession began 12/07  |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| Ann'l Total Return 76%  |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 4%  |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| Insider Decisions   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| A M J J A S O N D   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| to Buy 0 0 0 0 0 0 0 0 0 0  |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| Options 0 0 0 0 0 0 0 0 2 2   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| to Sell 0 0 1 0 3 1 1 3 3   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| Institutional Decisions   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 1Q2009 2Q2009 3Q2009  |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| to Buy 83 86 73   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| to Sell 71 71 68  |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| Hlds(000) 32859 32802 33100   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| Percent shares traded 9 6 3   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011                   |     |                 |  |      |      |      |      |      |      | © VALUE LINE PUBL., INC. 13-15  |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 28.16 23.03 24.09 26.73 30.17 30.24 32.61 42.98 39.68 35.96 40.14 43.59 48.47 50.28 48.53 42.00 42.95 44.70 |     |                 |  |      |      |      |      |      |      | Revenues per sh 56.00   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 5.09 2.65 3.00 3.85 4.48 4.45 4.57 4.79 5.07 5.11 5.57 5.20 5.97 6.21 5.76 6.15 6.40 6.80                   |     |                 |  |      |      |      |      |      |      | "Cash Flow" per sh 7.50   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 1.22 .10 .25 .77 1.65 1.27 1.21 1.15 1.16 1.13 1.66 1.25 1.98 1.95 1.39 1.94 2.05 2.20                      |     |                 |  |      |      |      |      |      |      | Earnings per sh <sup>A</sup> 2.65   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| .80 .82 .82 .82 .82 .82 .82 .82 .82 .82 .82 .82 .82 .82 .82 .82 .82 .82                                     |     |                 |  |      |      |      |      |      |      | Div'ds Decl'd per sh <sup>B</sup> 1.20  |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 6.64 6.79 8.19 6.19 6.40 7.41 7.04 8.17 8.50 7.03 8.23 7.49 8.27 7.96 6.79 4.80 5.65 6.40                   |     |                 |  |      |      |      |      |      |      | Cap'l Spending per sh 8.50  |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 16.38 14.55 14.20 14.09 15.67 16.31 16.82 17.27 17.91 18.42 19.18 19.10 21.58 22.98 23.49 24.46 26.10 27.65 |     |                 |  |      |      |      |      |      |      | Book Value per sh 30.00   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 21.28 24.47 26.73 27.39 30.41 30.99 31.71 32.49 33.29 34.23 36.79 39.33 41.77 42.81 44.19 45.09 46.00 47.00 |     |                 |  |      |      |      |      |      |      | Common Shs Outst'g <sup>C</sup> 50.00   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 14.0 NMF NMF 24.1 13.2 21.1 16.0 19.0 19.9 19.2 14.3 20.6 15.9 17.3 20.3 12.2                               |     |                 |  |      |      |      |      |      |      | Avg Ann'l P/E Ratio 15.0  |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| .92 NMF NMF 1.39 .69 1.20 1.04 .97 1.09 1.09 .76 1.10 .86 .92 1.22 .80                                      |     |                 |  |      |      |      |      |      |      | Relative P/E Ratio 1.00   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 4.7% 5.4% 4.7% 4.4% 3.8% 3.1% 4.2% 3.8% 3.6% 3.8% 3.5% 3.2% 2.6% 2.6% 3.2% 4.0%                             |     |                 |  |      |      |      |      |      |      | Avg Ann'l Div'd Yield 3.0%  |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| CAPITAL STRUCTURE as of 12/31/09  |     |                 |  |      |      |      |      |      |      | 1034.1 1396.7 1320.9 1231.0 1477.1 1714.3 2024.7 2152.1 2144.7 1893.8 1975 2100 |       |           |      |                               |                    |      |           |              |            | Revenues (\$mill) 2800   |  |  |  |  |  |  |  |  |  |
| Total Debt \$1270.7 mill. Due in 5 Yrs \$496.3 mill.  |     |                 |  |      |      |      |      |      |      | 38.3 37.2 38.6 38.5 58.9 48.1 80.5 83.2 61.0 87.4 95.0 110                      |       |           |      |                               |                    |      |           |              |            | Net Profit (\$mill) 135  |  |  |  |  |  |  |  |  |  |
| LT Debt \$1269.4 mill. LT Interest \$85.0 mill.   |     |                 |  |      |      |      |      |      |      | 26.2% 34.5% 32.8% 30.5% 34.8% 29.7% 37.3% 36.5% 40.1% 34.0% 35.0% 36.0%         |       |           |      |                               |                    |      |           |              |            | Income Tax Rate 36.0%  |  |  |  |  |  |  |  |  |  |
| (Total interest coverage: 2.6x)   |     |                 |  |      |      |      |      |      |      | 3.7% 2.7% 2.9% 3.1% 4.0% 2.8% 4.0% 3.9% 2.8% 4.6% 4.8% 5.2%                     |       |           |      |                               |                    |      |           |              |            | Net Profit Margin 4.8%   |  |  |  |  |  |  |  |  |  |
| Leases, Uncapitalized Annual rentals \$5.0 mill.  |     |                 |  |      |      |      |      |      |      | 60.2% 56.2% 62.5% 66.0% 64.2% 63.8% 60.6% 58.1% 55.3% 53.5% 51.0% 50.0%         |       |           |      |                               |                    |      |           |              |            | Long-Term Debt Ratio 48.5%   |  |  |  |  |  |  |  |  |  |
| Pension Assets-12/09 \$418.5 mill.  |     |                 |  |      |      |      |      |      |      | 35.8% 39.6% 34.1% 34.0% 35.8% 36.2% 39.4% 41.9% 44.7% 46.5% 49.0% 50.0%         |       |           |      |                               |                    |      |           |              |            | Common Equity Ratio 51.5%  |  |  |  |  |  |  |  |  |  |
| Oblig. \$648.6 mill.  |     |                 |  |      |      |      |      |      |      | 1489.9 1417.6 1748.3 1851.6 1968.6 2076.0 2287.8 2349.7 2323.3 2372.0 2450 2600 |       |           |      |                               |                    |      |           |              |            | Total Capital (\$mill) 2925  |  |  |  |  |  |  |  |  |  |
| Pfd Stock None  |     |                 |  |      |      |      |      |      |      | 1686.1 1825.6 1979.5 2175.7 2336.0 2489.1 2668.1 2845.3 2983.3 3034.5 3125 3200 |       |           |      |                               |                    |      |           |              |            | Net Plant (\$mill) 3600  |  |  |  |  |  |  |  |  |  |
| Common Stock 45,228,164 shs. as of 2/17/10  |     |                 |  |      |      |      |      |      |      | 4.6% 5.1% 4.3% 4.2% 5.0% 4.3% 5.5% 5.5% 4.5% 5.5% 6.0% 6.0%                     |       |           |      |                               |                    |      |           |              |            | Return on Total Cap'l 6.5%   |  |  |  |  |  |  |  |  |  |
|   |     |                 |  |      |      |      |      |      |      | 6.5% 6.0% 5.9% 6.1% 8.3% 6.4% 8.9% 8.5% 5.9% 7.9% 8.0% 8.5%                     |       |           |      |                               |                    |      |           |              |            | Return on Shr. Equity 9.0%   |  |  |  |  |  |  |  |  |  |
|   |     |                 |  |      |      |      |      |      |      | 7.2% 6.6% 6.5% 6.1% 8.3% 6.4% 8.9% 8.5% 5.9% 7.9% 8.0% 8.5%                     |       |           |      |                               |                    |      |           |              |            | Return on Com Equity 9.0%  |  |  |  |  |  |  |  |  |  |
| MARKET CAP: \$1.3 billion (Mid Cap)   |     |                 |  |      |      |      |      |      |      | 2.4% 1.9% 1.9% 1.7% 4.3% 2.2% 5.2% 4.8% 2.1% 4.0% 4.0% 4.5%                     |       |           |      |                               |                    |      |           |              |            | Retained to Com Eq 5.0%  |  |  |  |  |  |  |  |  |  |
| CURRENT POSITION (\$MILL.)  |     |                 |  |      |      |      |      |      |      | 67% 71% 70% 72% 49% 65% 42% 44% 63% 49% 48% 45%                                 |       |           |      |                               |                    |      |           |              |            | All Div'ds to Net Prof 44%   |  |  |  |  |  |  |  |  |  |
| 2007  |     |                 |  |      |      |      |      |      |      | 32.0 26.4 65.3  |       |           |      |                               |                    |      |           |              |            | BUSINESS: Southwest Gas Corporation is a regulated gas distributor serving approximately 1.8 million customers in sections of Arizona, Nevada, and California. Comprised of two business segments: natural gas operations and construction services. 2009 margin mix: residential and small commercial, 86%; large commercial and industrial, 4%; transportation, 10%. Total throughput: 2.2 billion |  |  |  |  |  |  |  |  |  |
| 2008  |     |                 |  |      |      |      |      |      |      | 470.5 411.7 352.3   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2009  |     |                 |  |      |      |      |      |      |      | 502.5 438.1 417.6   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2010  |     |                 |  |      |      |      |      |      |      | 220.7 191.4 158.9   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2011  |     |                 |  |      |      |      |      |      |      | 47.1 62.8 1.3   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2012  |     |                 |  |      |      |      |      |      |      | 260.1 255.7 314.0   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2013  |     |                 |  |      |      |      |      |      |      | 527.9 509.9 474.2   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2014  |     |                 |  |      |      |      |      |      |      | Fix. Chg. Cov. 229% 224% 251%   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| ANNUAL RATES  |     |                 |  |      |      |      |      |      |      | Past 10 Yrs. Past 5 Yrs. Est'd '07-'09 to '13-'15                               |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| of change (per sh)  |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| Revenues 6.0% 4.5% 2.0%   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| "Cash Flow" 4.5% 3.5% 4.0%  |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| Earnings 7.0% 9.0% 8.0%   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| Dividends 0.5% 1.0% 5.5%  |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| Book Value 4.5% 5.0% 4.5%   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| QUARTERLY REVENUES (\$mill.)  |     |                 |  |      |      |      |      |      |      | Full Year   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| Cal-endar Mar.31 Jun.30 Sep.30 Dec.31   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2007 793.7 426.6 371.5 560.3 2152.1   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2008 813.6 447.3 374.4 509.4 2144.7   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2009 689.9 387.6 317.5 498.8 1893.8   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2010 715 415 335 510 1975   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2011 740 440 360 560 2100   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| EARNINGS PER SHARE <sup>A</sup>   |     |                 |  |      |      |      |      |      |      | Full Year   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| Cal-endar Mar.31 Jun.30 Sep.30 Dec.31   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2007 1.17 d.01 d.22 1.01 1.95   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2008 1.14 d.06 d.38 .71 1.39  |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2009 1.12 d.01 d.18 1.02 1.94   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2010 1.20 Nil d.20 1.05 2.05  |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2011 1.25 Nil d.15 1.10 2.20  |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| QUARTERLY DIVIDENDS PAID <sup>B</sup>   |     |                 |  |      |      |      |      |      |      | Full Year   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| Cal-endar Mar.31 Jun.30 Sep.30 Dec.31   |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2006 .205 .205 .205 .205 .82  |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2007 .205 .215 .215 .215 .85  |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2008 .215 .225 .225 .225 .89  |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2009 .225 .238 .238 .238 .94  |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |
| 2010 .238 .250  |     |                 |  |      |      |      |      |      |      |   |       |           |      |                               |                    |      |           |              |            |  |  |  |  |  |  |  |  |  |  |

therms. Sold PriMerit Bank, 7/96. Has 4,450 employees. Off. & Dir. own 2.0% of common stock; T. Rowe Price Associates, Inc., 7.0%; Barclays Global Investors, 6.8%; GAMCO Investors, Inc., 7.4% (3/09 Proxy). Chairman: James J. Kropid. CEO: Jeffrey W. Shaw. Inc.: CA. Address: 5241 Spring Mountain Road, Las Vegas, Nevada 89193. Telephone: 702-876-7237. Internet: www.swgas.com.

approved revenue increases help it to cope with growth in operating expenses. The board has recently approved a dividend increase of roughly 5%. Starting with the June payout, the quarterly dividend is now \$0.25 per share. This follows other dividend hikes in recent years. We find this pattern encouraging and expect it to continue. But the stock is not without risk. Warmer-than-usual temperatures during the winter months can hurt profitability at Southwest Gas. Also, the company will probably incur greater costs as it continues to expand operations. Moreover, insufficient, or lagging, rate relief can also hurt performance. These shares remain neutrally ranked for year-ahead relative price performance. Looking further out, we anticipate solid bottom-line growth at the company over the pull to 2013-2015. Income-oriented accounts may find this issue's dividend growth prospects attractive. That said, total return potential for the coming years is not particularly compelling, from the present quotation. Michael Napoli, CFA March 12, 2010

| WGL HOLDINGS                  |  |  |  | NYSE-WGL                |  | RECENT PRICE          |  | 33.53                    |  | P/E RATIO                      |  | 14.6 (Trailing: 13.0 Median: 15.0) |  | RELATIVE P/E RATIO           |  | 0.86                         |  | DIV'D YLD |  | 4.4% |  | VALUE LINE     |  |
|-------------------------------|--|--|--|-------------------------|--|-----------------------|--|--------------------------|--|--------------------------------|--|------------------------------------|--|------------------------------|--|------------------------------|--|-----------|--|------|--|----------------|--|
| TIMELINESS 4 Lowered 11/27/09 |  |  |  | High: 29.4              |  | 29.5                  |  | 28.8                     |  | 31.4                           |  | 34.8                               |  | 33.6                         |  | 35.9                         |  | 37.1      |  | 35.5 |  | 34.5           |  |
| SAFETY 1 Raised 4/2/93        |  |  |  | Low: 21.0               |  | 21.8                  |  | 25.3                     |  | 26.7                           |  | 28.8                               |  | 27.0                         |  | 29.8                         |  | 22.4      |  | 28.6 |  | 31.0           |  |
| TECHNICAL 2 Raised 2/12/10    |  |  |  | LEGENDS                 |  | 1.30 x Dividends p sh |  | divided by Interest Rate |  | Relative Price Strength        |  | Options: Yes                       |  | Shaded area: prior recession |  | Latest recession began 12/07 |  |           |  |      |  | Target Price   |  |
| BETA .65 (1.00 = Market)      |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  | 2013 2014 2015 |  |
| 2013-15 PROJECTIONS           |  |  |  | Ann'l Total             |  | Price                 |  | Gain                     |  | Return                         |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
| High 45                       |  |  |  | 35                      |  | 11%                   |  | 5%                       |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
| Low 35                        |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
| Insider Decisions             |  |  |  | A M J J A S O N D       |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
| to Buy 0 0 0 0 0 0 0 0 0 0    |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
| Options 0 0 0 0 0 0 0 0 0 0   |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
| to Sell 0 0 0 0 0 0 0 0 0 0   |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
| Institutional Decisions       |  |  |  | 10/2009 20/2009 30/2009 |  | to Buy 97 85 79       |  | to Sell 96 98 78         |  | Hld's (\$00) 30919 31333 31643 |  | Percent shares traded 18 12 6      |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |
|                               |  |  |  |                         |  |                       |  |                          |  |                                |  |                                    |  |                              |  |                              |  |           |  |      |  |                |  |

(A) Fiscal years end Sept. 30th.

(B) Based on diluted shares. Excludes non-recurring losses: '01, (13¢); '02, (34¢); '07, (4¢); '08, (14¢) discontinued operations: '06,

(D) Includes deferred charges of \$1.0 million in 2009; \$386.7 million, \$7.71 billion in 2008.

(D) Includes deferred charges and intangibles.  
'09: \$386.7 million, \$7.71/sh.

|                            |     |
|----------------------------|-----|
| Company Financial Strength | 75  |
| Stock's Price Stability    | 100 |
| Price Growth Persistence   | 50  |
| Earnings Predictability    | 95  |

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Apple Canyon Utility Company / Lake Wildwood Utilities Corp.  
Indicated Common Equity Cost Rate  
Through Use of a Risk Premium Model  
Using an Adjusted Total Market Approach

| <u>Line No.</u> |   | <u>Proxy Group of Six<br/>AUS Utility<br/>Reports Water<br/>Companies</u> | <u>Proxy Group of<br/>Ten AUS Utility<br/>Reports Natural<br/>Gas Distribution</u> |
|-----------------|---|---|--|
| 1.              | Prospective Yield on Aaa Rated Corporate Bonds (1)  | 5.60 %  | 5.60 %   |
| 2.              | Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A Rated Public Utility Bonds | <u>0.52 (2)</u>   | <u>0.52 (2)</u>  |
| 3.              | Adjusted Prospective Yield on A Rated Public Utility Bonds  | 6.12 %  | 6.12 %   |
| 4.              | Adjustment to Reflect Bond Rating Difference of Proxy Group   | <u>0.00 (3)</u>   | <u>0.14 (3)</u>  |
| 5.              | Adjusted Prospective Bond Yield   | 6.12  | 6.26   |
| 6.              | Equity Risk Premium (5)   | <u>4.63</u>   | <u>4.21</u>  |
| 7.              | Risk Premium Derived Common Equity Cost Rate  | <u><u>10.75 %</u></u>   | <u><u>10.47 %</u></u>  |

- Notes:
- (1) Derived in Note (3) on page 6 of this Schedule.
  - (2) The average yield spread of A rated public utility bonds over Aaa rated corporate bonds of 0.52% from page 4 of this Schedule.
  - (3) No adjustment necessary as the average Moody's bond rating of the Proxy Group of Six AUS Utility Reports Water Companies is A2 as shown on page 2 of this Schedule.
  - (4) Adjustment to reflect the A3 Moody's Bond Rating of the Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies as shown on page 2 of this Schedule. The 14 basis point adjustment is derived by taking 1/3 of the spread between Baa and A2 Public Utility Bonds ( $1/3 * 0.41\% = 0.137\%$ , rounded to 0.14%).
  - (5) From page 5 of this Schedule.

Apple Canyon Utility Company / Lake Wildwood Utilities Corp.  
Comparison of Bond Ratings, Business Risk and Financial Risk Profiles for the  
Proxy Group of Six AUS Utility Reports Water Companies  
and Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies

|  | Moody's     |                         | Standard & Poor's |                         | Standard & Poor's |                         | Standard & Poor's         |                         | Standard & Poor's          |                         |
|--|-------------|-------------------------|-------------------|-------------------------|-------------------|-------------------------|---------------------------|-------------------------|----------------------------|-------------------------|
|  | Bond Rating |                         | Bond Rating       |                         | March 2010        |                         | March 2010                |                         | March 2010                 |                         |
|  | Bond Rating | Numerical Weighting (1) | Bond Rating       | Numerical Weighting (1) | Credit Rating     | Numerical Weighting (1) | Business Risk Profile (2) | Numerical Weighting (1) | Financial Risk Profile (2) | Numerical Weighting (1) |
| <b>Proxy Group of Six AUS Utility Reports Water Companies</b>                    |             |                         |                   |                         |                   |                         |                           |                         |                            |                         |
| American States Water Company  | A2          | 6.0                     | A                 | 6.0                     | A                 | 6.0                     | Excellent                 | 1.0                     | Intermediate               | 3.0                     |
| Aqua America, Inc.   | (3) NR      | --                      | AA-               | 4.0                     | A+                | 5.0                     | Excellent                 | 1.0                     | Intermediate               | 3.0                     |
| California Water Services Group  | (4) NR      | --                      | AA-               | 4.0                     | A+                | 5.0                     | Excellent                 | 1.0                     | Intermediate               | 3.0                     |
| Connecticut Water Service, Inc   | (5) NR      | --                      | A                 | 6.0                     | A                 | 6.0                     | Excellent                 | 1.0                     | Intermediate               | 3.0                     |
| Middlesex Water Co   | NR          | --                      | A                 | 6.0                     | A-                | 7.0                     | Excellent                 | 1.0                     | Intermediate               | 3.0                     |
| York Water Company (The)   | NR          | --                      | A-                | 7.0                     | A-                | 7.0                     | Excellent                 | 1.0                     | Intermediate               | 3.0                     |
| Average  | A2          | 6.0                     | A+/A              | 5.5                     | A                 | 6.0                     | Excellent                 | 1.0                     | Intermediate               | 3.0                     |
| <b>Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies</b> |             |                         |                   |                         |                   |                         |                           |                         |                            |                         |
| AgI Resources Inc  | (6) A3      | 7.0                     | A-                | 7.0                     | A-                | 7.0                     | Excellent                 | 1.0                     | Significant                | 4.0                     |
| Atmos Energy Corporation   | Baa2        | 9.0                     | BBB+              | 8.0                     | BBB+              | 8.0                     | Excellent                 | 1.0                     | Significant                | 4.0                     |
| Delta Natural Gas Company, Inc.  | NR          | --                      | NR                | --                      | NR                | NR                      | NR                        | NR                      | NR                         | NR                      |
| Laclede Group, Inc. (The)  | (7) A2      | 6.0                     | A                 | 6.0                     | A                 | 6.0                     | Excellent                 | 1.0                     | Intermediate               | 3.0                     |
| New Jersey Resources Corp.   | Aa3         | 4.0                     | NR                | --                      | NR                | NR                      | NR                        | NR                      | NR                         | NR                      |
| Northwest Natural Gas Company  | A1          | 5.0                     | AA-               | 4.0                     | A+                | 5.0                     | Excellent                 | 1.0                     | Intermediate               | 3.0                     |
| Piedmont Natural Gas Company   | A3          | 7.0                     | A                 | 6.0                     | A                 | 6.0                     | Excellent                 | 1.0                     | Intermediate               | 3.0                     |
| South Jersey Industries  | A2          | 6.0                     | A                 | 6.0                     | BBB+              | 8.0                     | Excellent                 | 1.0                     | Significant                | 4.0                     |
| Southwest Gas Corp   | Baa3        | 10.0                    | BBB               | 9.0                     | BBB               | 9.0                     | Excellent                 | 1.0                     | Aggressive                 | 5.0                     |
| Wgl Holdings, Inc.   | (9) A2      | 6.0                     | AA-               | 4.0                     | AA-               | 4.0                     | Excellent                 | 1.0                     | Intermediate               | 3.0                     |
| Average  | A3          | 6.7                     | A                 | 6.3                     | A-                | 6.6                     | Excellent                 | 1.0                     | Significant                | 3.6                     |

Notes: (1) From page 3 of this schedule.

(2) From Standard & Poor's Issuer Ranking: U.S. Investor-Owned Water Utilities, Strongest to Weakest, February 3, 2010 and U.S. Natural

Gas Distribution and Integrated Gas Companies, Strongest to Weakest February 3, 2010.

(3) Ratings, business risk and financial risk profiles are those of Aqua Pennsylvania, Inc.

(4) Ratings, business risk and financial risk profiles are those of California Water Service Company.

(5) Ratings, business risk and financial risk profiles are those of The Connecticut Water Company.

(6) Ratings, business risk and financial risk profiles are those of Atlanta Gas Light Company.

(7) Ratings, business risk and financial risk profiles are those of Laclede Gas Company.

(8) Ratings, business risk and financial risk profiles are those of South Jersey Gas Company.

(9) Ratings, business risk and financial risk profiles are those of Washington Gas Light Company.

Source Information: Moody's Investors Service  
Standard & Poor's Global Utilities Rating Service

Apple Canyon Utility Company / Lake Wildwood Utilities Corp.  
Numerical Assignment for  
Moody's and Standard & Poor's Bond Ratings,  
Standard & Poor's Credit Ratings, and  
Standard & Poor's Business and Financial Risk Profiles

| <u>Moody's<br/>Bond Rating</u> | <u>Numerical<br/>Bond Weighting</u> | <u>Standard &amp; Poor's<br/>Bond / Credit Rating</u> |
|--------------------------------|-------------------------------------|---|
| Aaa                            | 1                                   | AAA   |
| Aa1                            | 2                                   | AA+   |
| Aa2                            | 3                                   | AA  |
| Aa3                            | 4                                   | AA-   |
| A1                             | 5                                   | A+  |
| A2                             | 6                                   | A   |
| A3                             | 7                                   | A-  |
| Baa1                           | 8                                   | BBB+  |
| Baa2                           | 9                                   | BBB   |
| Baa3                           | 10                                  | BBB-  |
| Ba1                            | 11                                  | BB+   |
| Ba2                            | 12                                  | BB  |
| Ba3                            | 13                                  | BB-   |

Standard & Poor's

| <u>Business<br/>Risk Profile</u> | <u>Numerical<br/>Weighting</u> | <u>Financial<br/>Risk Profile</u> | <u>Numerical<br/>Weighting</u> |
|----------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| Excellent                        | 1                              | Minimal                           | 1                              |
| Strong                           | 2                              | Modest                            | 2                              |
| Satisfactory                     | 3                              | Intermediate                      | 3                              |
| Fair                             | 4                              | Significant                       | 4                              |
| Weak                             | 5                              | Aggressive                        | 5                              |
| Vulnerable                       | 6                              | Highly Leveraged                  | 6                              |

Moodv/s  
Comparison of Interest Rate Trends  
for the Three Months Ending March 2009 (1)

|                          | Months      | Corporate Bonds |  | Public Utility Bonds |           | Spread - Corporate v. Public Utility Bonds |                                 | Spread - Public Utility Bonds |            |
|--------------------------|-------------|-----------------|--|----------------------|-----------|--|---------------------------------|-------------------------------|------------|
|                          |             | Aaa Rated       |  | Aa Rated             | Baa Rated | Aa (Pub. Util.) over Aaa (Corp.)           | A (Pub. Util.) over Aaa (Corp.) | A over Aa                     | Baa over A |
| 1                        | February-10 | 5.35 %          |  | 5.62 %               | 6.25 %    |  |                                 |                               |            |
| 2                        | January-10  | 5.26            |  | 5.50                 | 6.16      |  |                                 |                               |            |
| 3                        | December-09 | 5.26            |  | 5.44                 | 6.26      |  |                                 |                               |            |
| Average of Last 3 Months |             | 5.29 %          |  | 5.52 %               | 6.22 %    | 0.23 %                                     | 0.52 %                          | 0.29 %                        | 0.41 %     |

Notes: (1) All yields are distributed yields.

Source of Information: Mergent Bond Record, March 2010, Vol. 77, No. 3.

Apple Canyon Utility Company / Lake Wildwood Utilities Corp.  
Judgment of Equity Risk Premium for  
the Proxy Group of Six AUS Utility Reports Water Companies  
and Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies

| Line<br>No. |   | Proxy Group of Six AUS<br>Utility Reports Water<br>Companies | Proxy Group of Ten<br>AUS Utility Reports<br>Natural Gas<br>Distribution |
|-------------|---|--|--|
| 1.          | Calculated equity risk premium based on the total market using the beta approach (1)                                  | 5.11   | 4.26   |
| 2.          | Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2) | <u>4.15</u>  | <u>4.15</u>  |
| 3.          | Average equity risk premium   | <u><u>4.63</u></u> %   | <u><u>4.21</u></u> %   |

Notes: (1) From page 6 of this Schedule.  
(2) From page 8 of this Schedule.

Apple Canyon Utility Company / Lake Wildwood Utilities Corp.  
Derivation of Equity Risk Premium Based on the Total Market Approach  
Using the Beta for  
the Proxy Group of Six AUS Utility Reports Water Companies  
and Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies

| <u>Line No.</u> |  | <u>Proxy Group of Six<br/>AUS Utility<br/>Reports Water<br/>Companies</u> | <u>Proxy Group of<br/>Ten AUS Utility<br/>Reports Natural<br/>Gas Distribution<br/>Companies</u> |
|-----------------|--|---|--|
| 1.              | Arithmetic mean total return rate on<br>the Standard & Poor's 500 Composite<br>Index - 1926-2009 (1) | 11.80 %   | 11.80 %  |
| 2.              | Arithmetic mean yield on<br>Aaa and Aa Corporate Bonds<br>1926-2009 (2)                              | <u>(6.10)</u>   | <u>(6.10)</u>  |
| 3.              | Historical Equity Risk Premium   | <u>5.70 %</u>   | <u>5.70 %</u>  |
| 4.              | Forecasted 3-5 year Total Annual<br>Market Return (3)  | 12.99 %   | 12.99 %  |
| 5.              | Prospective Yield an Aaa Rated<br>Corporate Bonds (4)  | <u>(5.60)</u>   | <u>(5.60)</u>  |
| 6.              | Forecasted Equity Risk Premium   | <u>7.39 %</u>   | <u>7.39 %</u>  |
| 7.              | Conclusion of Equity Risk Premium (5)  | 6.55 %  | 6.55 %   |
| 8.              | Adjusted Value Line Beta (6)   | <u>0.78</u>   | <u>0.65</u>  |
| 9.              | Beta Adjusted Equity Risk Premium  | <u>5.11 %</u>   | <u>4.26 %</u>  |

- Notes: (1) From 2010 Ibbotson Risk Premia Over Time Report - Estimates for 1926-2009.  
(2) From Moody's Industrial Manual and Mergent Bond Record Monthly Update.  
(3) From page 3 of Schedule 3.17.  
(4) Average forecast based upon six quarterly estimates of Aaa rated corporate bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated April 1, 2009 (see page 7 of this Schedule). The estimates are detailed below.

|                     |               |
|---------------------|---------------|
| First Quarter 2010  | 5.30 %        |
| Second Quarter 2010 | 5.40          |
| Third Quarter 2010  | 5.50          |
| Fourth Quarter 2010 | 5.70          |
| First Quarter 2011  | 5.80          |
| Second Quarter 2011 | <u>5.90</u>   |
| Average             | <u>5.60 %</u> |

- (5) The average of the historical equity risk premium of 5.7% from Line No. 3 and the forecasted equity risk premium of 7.39% from Line No. 6  $((5.7\% + 7.39\%) / 2 = 6.55\%$ .  
(6) From page 9 of this Schedule.



Consensus Forecasts Of U.S. Interest Rates And Key Assumptions<sup>1</sup>

| Interest Rates          | History              |        |       |        |                   |      |      |         | Consensus Forecasts-Quarterly Avg. |      |      |      |      |      |
|-------------------------|----------------------|--------|-------|--------|-------------------|------|------|---------|------------------------------------|------|------|------|------|------|
|                         | Average For Week End |        |       |        | Average For Month |      |      |         | 1Q                                 | 2Q   | 3Q   | 4Q   | 1Q   | 2Q   |
|                         | Feb.19               | Feb.12 | Feb.5 | Jan.29 | Jan.              | Dec. | Nov. | 4Q 2009 | 2010                               | 2010 | 2010 | 2010 | 2011 | 2011 |
| Federal Funds Rate      | 0.12                 | 0.13   | 0.13  | 0.12   | 0.11              | 0.12 | 0.12 | 0.12    | 0.1                                | 0.2  | 0.3  | 0.7  | 1.1  | 1.5  |
| Prime Rate              | 3.25                 | 3.25   | 3.25  | 3.25   | 3.25              | 3.25 | 3.25 | 3.25    | 3.2                                | 3.3  | 3.4  | 3.7  | 4.1  | 4.5  |
| LIBOR, 3-mo.            | 0.25                 | 0.25   | 0.25  | 0.25   | 0.25              | 0.25 | 0.27 | 0.27    | 0.3                                | 0.4  | 0.6  | 0.9  | 1.4  | 1.7  |
| Commercial Paper, 1-mo. | 0.14                 | 0.12   | 0.11  | 0.12   | 0.13              | 0.14 | 0.13 | 0.13    | 0.2                                | 0.3  | 0.4  | 0.8  | 1.2  | 1.6  |
| Treasury bill, 3-mo.    | 0.10                 | 0.11   | 0.10  | 0.07   | 0.06              | 0.05 | 0.05 | 0.06    | 0.1                                | 0.2  | 0.4  | 0.8  | 1.2  | 1.5  |
| Treasury bill, 6-mo.    | 0.19                 | 0.18   | 0.17  | 0.15   | 0.15              | 0.17 | 0.15 | 0.16    | 0.2                                | 0.3  | 0.6  | 0.9  | 1.4  | 1.7  |
| Treasury bill, 1 yr.    | 0.36                 | 0.35   | 0.33  | 0.31   | 0.35              | 0.37 | 0.31 | 0.35    | 0.4                                | 0.6  | 0.8  | 1.2  | 1.6  | 2.0  |
| Treasury note, 2 yr.    | 0.89                 | 0.86   | 0.83  | 0.86   | 0.93              | 0.87 | 0.80 | 0.87    | 1.0                                | 1.2  | 1.5  | 1.8  | 2.2  | 2.5  |
| Treasury note, 5 yr.    | 2.42                 | 2.34   | 2.33  | 2.39   | 2.48              | 2.34 | 2.23 | 2.30    | 2.5                                | 2.6  | 2.8  | 3.1  | 3.3  | 3.5  |
| Treasury note, 10 yr.   | 3.74                 | 3.69   | 3.66  | 3.66   | 3.73              | 3.59 | 3.40 | 3.46    | 3.7                                | 3.8  | 4.0  | 4.2  | 4.3  | 4.5  |
| Treasury note, 30 yr.   | 4.70                 | 4.62   | 4.55  | 4.55   | 4.60              | 4.49 | 4.31 | 4.33    | 4.6                                | 4.7  | 4.8  | 5.0  | 5.1  | 5.2  |
| Corporate Aaa bond      | 5.44                 | 5.36   | 5.29  | 5.28   | 5.26              | 5.26 | 5.19 | 5.20    | 5.3                                | 5.4  | 5.5  | 5.7  | 5.8  | 5.9  |
| Corporate Baa bond      | 6.45                 | 6.36   | 6.25  | 6.23   | 6.25              | 6.37 | 6.32 | 6.33    | 6.4                                | 6.5  | 6.6  | 6.8  | 6.8  | 7.0  |
| State & Local bonds     | 4.38                 | 4.34   | 4.36  | 4.39   | 4.33              | 4.21 | 4.37 | 4.26    | 4.5                                | 4.6  | 4.7  | 4.8  | 4.9  | 5.0  |
| Home mortgage rate      | 4.93                 | 4.97   | 5.01  | 4.98   | 5.03              | 4.93 | 4.88 | 4.92    | 5.1                                | 5.2  | 5.4  | 5.7  | 5.8  | 6.0  |

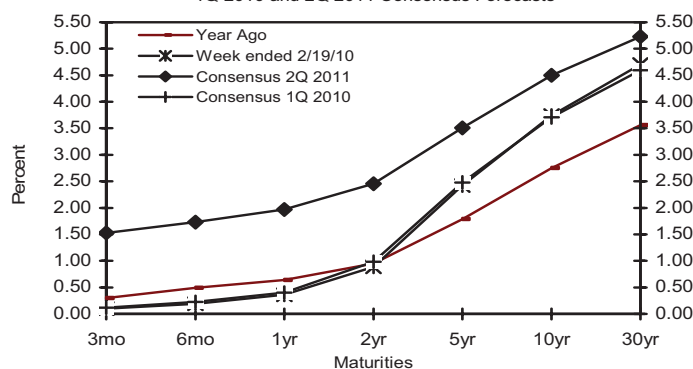
  

| Key Assumptions      | History |      |      |      |      |      |      |      | Consensus Forecasts-Quarterly |      |      |      |      |      |
|----------------------|---------|------|------|------|------|------|------|------|-------------------------------|------|------|------|------|------|
|                      | 1Q      | 2Q   | 3Q   | 4Q   | 1Q   | 2Q   | 3Q   | 4Q   | 1Q                            | 2Q   | 3Q   | 4Q   | 1Q   | 2Q   |
|                      | 2008    | 2008 | 2008 | 2008 | 2009 | 2009 | 2009 | 2009 | 2010                          | 2010 | 2010 | 2010 | 2011 | 2011 |
| Major Currency Index | 72.0    | 70.9 | 73.5 | 81.3 | 82.7 | 79.4 | 75.4 | 73.6 | 75.4                          | 75.6 | 75.9 | 76.1 | 76.3 | 76.6 |
| Real GDP             | -0.7    | 1.5  | -2.7 | -5.4 | -6.4 | -0.7 | 2.2  | 5.9  | 3.0                           | 3.0  | 2.9  | 3.0  | 3.0  | 3.1  |
| GDP Price Index      | 1.9     | 1.8  | 4.0  | 0.1  | 1.9  | 0.0  | 0.4  | 0.4  | 1.5                           | 1.3  | 1.5  | 1.5  | 1.8  | 1.7  |
| Consumer Price Index | 4.5     | 4.5  | 6.2  | -8.3 | -2.4 | 1.3  | 3.6  | 3.4  | 2.0                           | 1.6  | 1.9  | 1.9  | 2.1  | 2.0  |

Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Interest rate definitions are the same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for the Fed's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS).

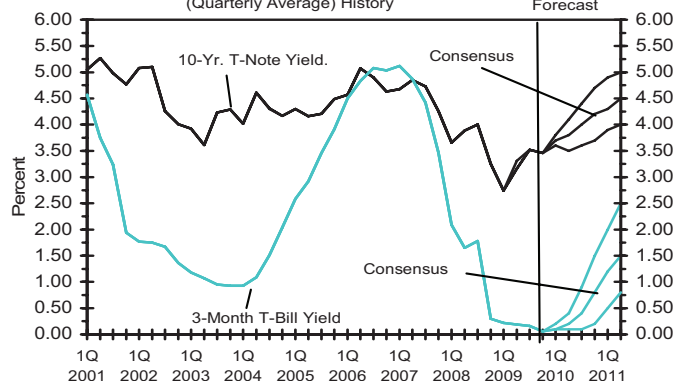
## U.S. Treasury Yield Curve

Week ended February 19, 2009 and Year Ago vs.  
1Q 2010 and 2Q 2011 Consensus Forecasts



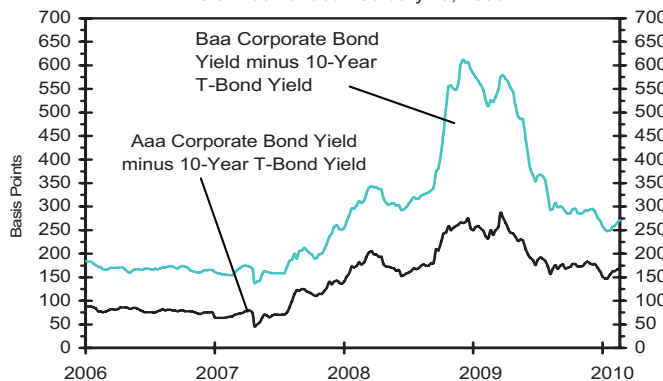
## U.S. 3-Mo. T-Bills &amp; 10-Yr. T-Note Yield

(Quarterly Average) History Forecast



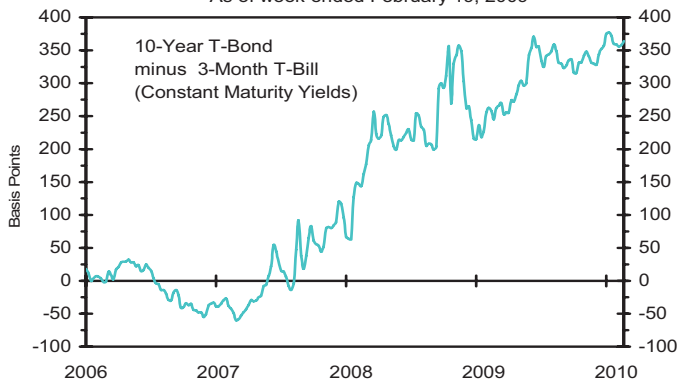
## Corporate Bond Spreads

As of week ended February 19, 2009



## U.S. Treasury Yield Curve

As of week ended February 19, 2009



Apple Canyon Utility Company / Lake Wildwood Utilities Corp.  
Derivation of Mean Equity Risk Premium Based on a Study  
Using Holding Period Returns of Public Utilities

| Line<br>No. | Over A Rated<br>Public Utility Bonds<br>AUS Consultants -<br>Utility Services<br>Study (1)          |
|-------------|---|
| Time Period | 1928-2008   |
| 1.          | Arithmetic Mean Holding Period<br>Returns (2):<br>Standard & Poor's Public<br>Utility Index 10.74 % |
| 2.          | Arithmetic Mean Yield on:<br>Moody's A Rated Public Utility Bonds (6.59)                            |
| 3.          | Equity Risk Premium 4.15 %  |

- Notes: (1) S&P Public Utility Index and Moody's Public Utility Bond Average Annual Yields 1928-2008, (AUS Consultants - Utility Services, 2009).
- (2) Holding period returns are calculated based upon income received (dividends and interest) plus the relative change in the market value of a security over a one-year holding period.

Apple Canyon Utility Company / Lake Wildwood Utilities Corp.  
Value Line Adjusted Betas for  
the Proxy Group of Six AUS Utility Reports Water Companies  
and Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies

|  | <u>Value Line<br/>Adjusted<br/>Beta</u> |
|--|---|
| <u>Proxy Group of Six AUS Utility<br/>Reports Water Companies</u>                            |   |
| American States Water Co.  | 0.80                                    |
| Aqua America, Inc.   | 0.65                                    |
| California Water Service Group   | 0.75                                    |
| Connecticut Water Service, Inc.  | 0.80                                    |
| Middlesex Water Company  | 0.80                                    |
| York Water Company   | <u>0.65</u>                             |
| Average  | <u><u>0.74</u></u>                      |
| Median   | <u><u>0.78</u></u>                      |
| <br><u>Proxy Group of Ten AUS Utility<br/>Reports Natural Gas Distribution<br/>Companies</u> |   |
| AGL Resources Inc.   | 0.75                                    |
| Atmos Energy Corporation   | 0.65                                    |
| Delta Natural Gas Company  | 0.65                                    |
| Laclede Group, Inc.  | 0.60                                    |
| New Jersey Resources Corp.   | 0.65                                    |
| Northwest Natural Gas Co.  | 0.60                                    |
| Piedmont Natural Gas Co., Inc.   | 0.65                                    |
| South Jersey Industries, Inc.  | 0.60                                    |
| Southwest Gas Corporation  | 0.75                                    |
| WGL Holdings, Inc.   | <u>0.65</u>                             |
| Average  | <u><u>0.66</u></u>                      |
| Median   | <u><u>0.65</u></u>                      |

Source of Information: Value Line Investment Survey, Standard Edition

Apple Canyon Utility Company / Lake Wildwood Utilities Corp.  
Indicated Common Equity Cost Rate Through Use  
of the Capital Asset Pricing Model  
the Proxy Group of Six AUS Utility Reports Water Companies  
and Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies

| <u>Line No.</u> |  | <u>Proxy Group of Six AUS<br/>Utility Reports Water<br/>Companies</u> | <u>Proxy Group of Ten<br/>AUS Utility Reports<br/>Natural Gas Distribution<br/>Companies</u> |
|-----------------|--|---|--|
| 1.              | Traditional Capital Asset<br>Pricing Model (1) | 10.60 %   | 9.68   |
| 2.              | Empirical Capital Asset<br>Pricing Model (1)   | <u>11.01 %</u>  | <u>10.32</u>   |
| 3.              | Conclusion                                     | <u><u>10.81 %</u></u>   | <u><u>10.00</u></u>  |

Notes: (1) From page 2 of this Schedule.

Apple Canyon Utility Company / Lake Wildwood Utilities Corp.  
Indicated Common Equity Cost Rate Through Use  
of the Capital Asset Pricing Model

|  | <u>1</u>                       | <u>2</u>  | <u>3</u>   |
|--|--------------------------------|---|--|
|  | Value Line<br>Adjusted<br>Beta | Company-Specific<br>Risk Premium<br>Based on Market<br>Premium of 7.35% (1) | CAPM Result<br>Including<br>Risk-Free<br>Rate of 4.90% (2) |
| <u>Traditional Capital Asset Pricing Model (3)</u>                           |                                |   |  |
| Proxy Group of Six AUS Utility Reports<br>Water Companies                    |                                |   |  |
| American States Water Co.  | 0.80                           | 5.88 %  | 10.78 %  |
| Aqua America, Inc.   | 0.65                           | 4.78  | 9.68   |
| California Water Service Group   | 0.75                           | 5.51  | 10.41  |
| Connecticut Water Service, Inc.  | 0.80                           | 5.88  | 10.78  |
| Middlesex Water Company  | 0.80                           | 5.88  | 10.78  |
| York Water Company   | 0.65                           | 4.78  | 9.68   |
| Average  | 0.74                           | 5.45 %  | 10.35 %  |
| Median   | 0.78                           | 5.70 %  | 10.60 %  |
| Proxy Group of Ten AUS Utility Reports<br>Natural Gas Distribution Companies |                                |   |  |
| AGL Resources Inc.   | 0.75                           | 5.51 %  | 10.41 %  |
| Atmos Energy Corporation   | 0.65                           | 4.78  | 9.68   |
| Delta Natural Gas Company  | 0.65                           | 4.78  | 9.68   |
| Laclede Group, Inc.  | 0.60                           | 4.41  | 9.31   |
| New Jersey Resources Corp.   | 0.65                           | 4.78  | 9.68   |
| Northwest Natural Gas Co.  | 0.60                           | 4.41  | 9.31   |
| Piedmont Natural Gas Co., Inc.   | 0.65                           | 4.78  | 9.68   |
| South Jersey Industries, Inc.  | 0.60                           | 4.41  | 9.31   |
| Southwest Gas Corporation  | 0.75                           | 5.51  | 10.41  |
| WGL Holdings, Inc.   | 0.65                           | 4.78  | 9.68   |
| Average  | 0.66                           | 4.82 %  | 9.72 %   |
| Median   | 0.65                           | 4.78 %  | 9.68 %   |
| <u>Empirical Capital Asset Pricing Model (4)</u>                             |                                |   |  |
| Proxy Group of Six AUS Utility Reports<br>Water Companies                    |                                |   |  |
| American States Water Co.  | 0.80                           | 6.25 %  | 11.15 %  |
| Aqua America, Inc.   | 0.65                           | 5.42  | 10.32  |
| California Water Service Group   | 0.75                           | 5.97  | 10.87  |
| Connecticut Water Service, Inc.  | 0.80                           | 6.25  | 11.15  |
| Middlesex Water Company  | 0.80                           | 6.25  | 11.15  |
| York Water Company   | 0.65                           | 5.42  | 10.32  |
| Average  | 0.74                           | 5.93 %  | 10.83 %  |
| Median   | 0.78                           | 6.11 %  | 11.01 %  |
| Proxy Group of Ten AUS Utility Reports<br>Natural Gas Distribution Companies |                                |   |  |
| AGL Resources Inc.   | 0.75                           | 5.97 %  | 10.87 %  |
| Atmos Energy Corporation   | 0.65                           | 5.42  | 10.32  |
| Delta Natural Gas Company  | 0.65                           | 5.42  | 10.32  |
| Laclede Group, Inc.  | 0.60                           | 5.15  | 10.05  |
| New Jersey Resources Corp.   | 0.65                           | 5.42  | 10.32  |
| Northwest Natural Gas Co.  | 0.60                           | 5.15  | 10.05  |
| Piedmont Natural Gas Co., Inc.   | 0.65                           | 5.42  | 10.32  |
| South Jersey Industries, Inc.  | 0.60                           | 5.15  | 10.05  |
| Southwest Gas Corporation  | 0.75                           | 5.97  | 10.87  |
| WGL Holdings, Inc.   | 0.65                           | 5.42  | 10.32  |
| Average  | 0.66                           | 5.45 %  | 10.35 %  |
| Median   | 0.65                           | 5.42 %  | 10.32 %  |

See page 3 for notes.

Apple Canyon Utility Company / Lake Wildwood Utilities Corp.  
Development of the Market-Required Rate of Return on Common Equity Using  
the Capital Asset Pricing Model for  
the Proxy Group of Six AUS Utility Reports Water Companies  
and the Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies  
Adjusted to Reflect a Forecasted Risk-Free Rate and Market Return

Notes:

- (1) For reasons explained in Ms. Ahern's accompanying direct testimony, from the three previous month-end (December 2009 – February 2010), as well as a recently available (March 26, 2010), Value Line Summary & Index, a forecasted 3-5 year total annual market return of 12.99% can be derived by averaging the 3-month and spot forecasted total 3-5 year total appreciation, converting it into an annual market appreciation and adding the Value Line average forecasted annual dividend yield.

The 3-5 year average total market appreciation of 52% produces a four-year average annual return of 11.04%  $((1.52^{.25}) - 1)$ . When the average annual forecasted dividend yield of 1.95% is added, a total average market return of 12.99% (1.95% + 11.04%) is derived.

The 3-month and spot forecasted total market return of 12.99% minus the forecasted risk-free rate of 4.90% (developed in Note 2) is 8.09% (12.99% - 4.90%). The Morningstar, Inc. (Ibbotson Associates) calculated market premium of 6.60% for the period 1926-2009 results from a total market return of 11.80% less the average income return on long-term U.S. Government Securities of 5.20% (11.80% - 5.20% = 6.60%). This is then averaged with the 8.09% Value Line market premium resulting in a 7.35% market premium. The 7.35% market premium is then multiplied by the beta in column 1 of page 2 of this Schedule.

- (2) The average forecast based upon six quarterly estimates of 30-year Treasury Note yields per the consensus of nearly 50 economists reported in the Blue Chip Financial Forecasts dated March 1, 2010 (see page 7 of Schedule 11). The estimates are detailed below:

|                     | <u>30-Year<br/>Treasury Note Yield</u> |
|---------------------|--|
| First Quarter 2010  | 4.60                                   |
| Second Quarter 2010 | 4.70                                   |
| Third Quarter 2010  | 4.80                                   |
| Fourth Quarter 2010 | 5.00                                   |
| First Quarter 2011  | 5.10                                   |
| Second Quarter 2011 | <u>5.20</u>                            |
| Average             | <u>4.90%</u>                           |

- (3) The traditional Capital Asset Pricing Model (CAPM) is applied using the following formula:

$$R_S = R_F + \beta (R_M - R_F)$$

Where  $R_S$  = Return rate of common stock  
 $R_F$  = Risk Free Rate  
 $\beta$  = Value Line Adjusted Beta  
 $R_M$  = Return on the market as a whole

- (4) The empirical CAPM is applied using the following formula:

$$R_S = R_F + .25 (R_M - R_F) + .75 \beta (R_M - R_F)$$

Where  $R_S$  = Return rate of common stock  
 $R_F$  = Risk-Free Rate  
 $\beta$  = Value Line Adjusted Beta  
 $R_M$  = Return on the market as a whole

Source of Information: Value Line Summary & Index  
Blue Chip Financial Forecasts, March 1, 2010  
Value Line Investment Survey, January 22, 2010 and March 12, 2010 Standard Edition  
and Small and Mid-Cap Edition  
Ibbotson® – SBB 2010 Risk Premia over Time Report, Estimates for 1926 – 2009.

Apple Canyon Utility Company / Lake Wildwood Utilities Corp.  
Comparable Earnings Analysis  
for a Proxy Group of Eighty-Two Non-Utility Companies Comparable to the  
Proxy Group of Six AUS Utility Reports Water Companies(1)

| Company Name  | VL<br>Adjusted<br>Beta | Unadj<br>ed<br>Beta | Residual<br>Standard<br>Error<br>of the<br>Regression | Standard<br>Deviation of<br>Beta | Rate of Return on Book Common<br>Equity, Net Worth, or Partner's<br>Capital |                          |
|---|------------------------|---------------------|---|----------------------------------|---|--------------------------|
|   |                        |                     |   |                                  | 5-Year Projected (2)  |                          |
|   |                        |                     |   |                                  | 5 Year<br>Projection  | Student's T<br>Statistic |
| Gallagher (Arthur J.)   | 0.70                   | 0.54                | 3.0716  | 0.0668                           | 20.00   | 0.6                      |
| Aon Corp.   | 0.70                   | 0.47                | 3.1403  | 0.0683                           | 14.00   | (0.2)                    |
| Beckman Coulter   | 0.75                   | 0.61                | 3.1918  | 0.0694                           | 13.00   | (0.4)                    |
| BMC Software  | 0.85                   | 0.73                | 3.1543  | 0.0686                           | 19.50   | 0.5                      |
| Bristol-Myers Squibb  | 0.75                   | 0.59                | 3.0886  | 0.0672                           | 20.00   | 0.6                      |
| Buckeye Partners L.P.   | 0.85                   | 0.75                | 3.1061  | 0.0675                           | 14.50   | (0.2)                    |
| Brown & Brown   | 0.70                   | 0.48                | 3.1456  | 0.0684                           | 12.50   | (0.5)                    |
| ConAgra Foods   | 0.65                   | 0.42                | 2.8885  | 0.0628                           | 15.50   | (0.0)                    |
| Capitol Fed. Finl   | 0.65                   | 0.44                | 3.0220  | 0.0657                           | 7.00  | (1.2)                    |
| CVS Caremark Corp.  | 0.80                   | 0.66                | 3.1452  | 0.0684                           | 10.50   | (0.7)                    |
| Quest Diagnostics   | 0.65                   | 0.46                | 2.9463  | 0.0641                           | 15.50   | (0.0)                    |
| Del Monte Foods   | 0.70                   | 0.51                | 3.4000  | 0.0739                           | 11.50   | (0.6)                    |
| Dionex Corp.  | 0.90                   | 0.78                | 3.5519  | 0.0772                           | 17.00   | 0.2                      |
| DaVita Inc.   | 0.65                   | 0.41                | 3.0854  | 0.0671                           | 16.00   | 0.1                      |
| Enterprise Products   | 0.85                   | 0.76                | 3.1170  | 0.0678                           | 18.50   | 0.4                      |
| Energy Transfer   | 0.80                   | 0.69                | 3.0862  | 0.0671                           | 28.50   | 1.8                      |
| First Niagara Finl Group  | 0.85                   | 0.70                | 3.6141  | 0.0786                           | 9.00  | (0.9)                    |
| Forest Labs.  | 0.80                   | 0.63                | 3.5470  | 0.0771                           | 9.50  | (0.9)                    |
| Gilead Sciences   | 0.65                   | 0.43                | 3.5879  | 0.0780                           | 33.50 (8)   | 2.5                      |
| G&K Services 'A   | 0.80                   | 0.64                | 3.5505  | 0.0772                           | 8.00  | (1.1)                    |
| Global Payments   | 0.85                   | 0.70                | 3.6330  | 0.0790                           | 16.50   | 0.1                      |
| Gen-Probe   | 0.85                   | 0.73                | 3.7116  | 0.0807                           | 13.00   | (0.4)                    |
| Haemonetics Corp.   | 0.60                   | 0.39                | 3.1976  | 0.0695                           | 12.50   | (0.5)                    |
| Hasbro, Inc.  | 0.75                   | 0.60                | 3.2682  | 0.0711                           | 22.00   | 0.9                      |
| Hudson City Bancorp   | 0.80                   | 0.69                | 2.9839  | 0.0649                           | 10.00   | (0.8)                    |
| HCC Insurance Hldgs.  | 0.85                   | 0.70                | 3.0771  | 0.0669                           | 12.00   | (0.5)                    |
| Hewitt Associates A   | 0.75                   | 0.57                | 3.3858  | 0.0736                           | 18.00   | 0.3                      |
| Hospira Inc.  | 0.70                   | 0.53                | 3.6182  | 0.0787                           | 20.50   | 0.7                      |
| Interactive Data  | 0.85                   | 0.70                | 3.1973  | 0.0695                           | 14.50   | (0.2)                    |
| IDEXX Labs.   | 0.85                   | 0.75                | 3.3726  | 0.0733                           | 24.00   | 1.2                      |
| Investors Bancorp Inc   | 0.70                   | 0.52                | 3.4367  | 0.0755                           | 6.00  | (1.4)                    |
| Intl Speedway A   | 0.85                   | 0.77                | 3.5449  | 0.0771                           | 8.00  | (1.1)                    |
| J&J Snack Foods   | 0.70                   | 0.50                | 3.4948  | 0.0760                           | 12.50   | (0.5)                    |
| Henry (Jack) & Assoc.   | 0.80                   | 0.69                | 2.9121  | 0.0633                           | 16.00   | 0.1                      |
| Kroger Co.  | 0.60                   | 0.37                | 2.9423  | 0.0640                           | 23.00   | 1.0                      |
| Lancaster Colony  | 0.75                   | 0.57                | 3.2490  | 0.0707                           | 17.50   | 0.3                      |
| Life Technologies   | 0.80                   | 0.65                | 3.6691  | 0.0798                           | 11.00   | (0.7)                    |
| Lincare Holdings  | 0.65                   | 0.47                | 3.3023  | 0.0718                           | 19.50   | 0.5                      |
| Matthews Intl   | 0.80                   | 0.68                | 3.2033  | 0.0697                           | 16.00   | 0.1                      |
| McKesson Corp.  | 0.80                   | 0.63                | 3.3044  | 0.0719                           | 13.50   | (0.3)                    |
| Mercury General   | 0.70                   | 0.54                | 2.9352  | 0.0638                           | 10.00   | (0.8)                    |
| Medtronic, Inc.   | 0.75                   | 0.61                | 3.4419  | 0.0749                           | 20.00   | 0.6                      |
| Medco Health Solutions  | 0.70                   | 0.48                | 3.5559  | 0.0773                           | 15.00   | (0.1)                    |
| Markel Corp.  | 0.85                   | 0.77                | 3.4564  | 0.0752                           | 7.00  | (1.2)                    |
| Marsh & McLennan  | 0.75                   | 0.58                | 3.1110  | 0.0677                           | 14.50   | (0.2)                    |
| MAXIMUS Inc.  | 0.80                   | 0.64                | 3.3308  | 0.0724                           | 14.50   | (0.2)                    |
| Microsoft Corp.   | 0.80                   | 0.66                | 3.0200  | 0.0657                           | 31.50 (8)   | 2.2                      |
| NIKE, Inc. B  | 0.85                   | 0.74                | 2.9431  | 0.0640                           | 17.00   | 0.2                      |
| Northwest Bancshares  | 0.80                   | 0.65                | 3.4087  | 0.0741                           | 11.00   | (0.7)                    |
| New York Community  | 0.80                   | 0.67                | 3.6679  | 0.0798                           | 11.50   | (0.6)                    |
| Owens & Minor   | 0.70                   | 0.50                | 3.4975  | 0.0761                           | 13.50   | (0.3)                    |
| O'Reilly Automotive   | 0.85                   | 0.70                | 3.6272  | 0.0789                           | 11.00   | (0.7)                    |
| Plains All Amer. Pipe.  | 0.85                   | 0.76                | 3.6234  | 0.0788                           | 10.00   | (0.8)                    |
| Peoples United Finl   | 0.65                   | 0.39                | 3.2206  | 0.0700                           | 6.00  | (1.4)                    |
| PerkinElmer Inc.  | 0.85                   | 0.77                | 3.6680  | 0.0798                           | 10.50   | (0.7)                    |
| Ruddick Corp.   | 0.60                   | 0.34                | 3.5639  | 0.0775                           | 11.00   | (0.7)                    |
| RLI Corp.   | 0.80                   | 0.64                | 3.0058  | 0.0654                           | 11.00   | (0.7)                    |
| Rollins, Inc.   | 0.80                   | 0.64                | 3.2240  | 0.0701                           | 29.50   | 2.0                      |
| Sherwin-Williams  | 0.70                   | 0.51                | 3.3972  | 0.0739                           | 27.50   | 1.7                      |
| Smucker (J.M.)  | 0.70                   | 0.49                | 2.9894  | 0.0650                           | 10.50   | (0.7)                    |
| Sara Lee Corp.  | 0.85                   | 0.70                | 2.9751  | 0.0647                           | 20.00   | 0.6                      |
| Silgan Holdings   | 0.80                   | 0.62                | 3.0779  | 0.0669                           | 19.00   | 0.5                      |
| Synopsys, Inc.  | 0.85                   | 0.72                | 3.0577  | 0.0665                           | 12.50   | (0.5)                    |
| Suburban Propane  | 0.75                   | 0.59                | 3.2859  | 0.0715                           | 37.00 (8)   | 3.0                      |
| Stericycle Inc.   | 0.70                   | 0.48                | 3.2811  | 0.0714                           | 15.00   | (0.1)                    |
| Safeway Inc.  | 0.70                   | 0.49                | 3.0748  | 0.0669                           | 14.00   | (0.2)                    |
| Stryker Corp.   | 0.80                   | 0.66                | 3.3911  | 0.0737                           | 16.00   | 0.1                      |
| Techne Corp.  | 0.75                   | 0.55                | 2.9612  | 0.0644                           | 20.00   | 0.6                      |
| Teleflex Inc.   | 0.80                   | 0.65                | 3.1254  | 0.0680                           | 11.50   | (0.6)                    |
| Hanover Insurance   | 0.85                   | 0.74                | 3.0304  | 0.0659                           | 9.50  | (0.9)                    |
| TJX Companies   | 0.80                   | 0.69                | 3.0689  | 0.0667                           | 42.00   | 3.7                      |
| Texas Instruments   | 0.85                   | 0.77                | 3.4289  | 0.0746                           | 15.50   | (0.0)                    |
| Universal Health Sv. 'B   | 0.80                   | 0.69                | 3.6798  | 0.0800                           | 11.50   | (0.6)                    |
| Walgreen Co.  | 0.75                   | 0.57                | 3.0892  | 0.0672                           | 14.00   | (0.2)                    |
| WD-40 Co.   | 0.75                   | 0.55                | 3.5047  | 0.0762                           | 17.50   | 0.3                      |
| Weis Markets  | 0.65                   | 0.42                | 3.0805  | 0.0670                           | 9.00  | (0.9)                    |
| W.P. Carey & Co. LLC  | 0.90                   | 0.78                | 3.5780  | 0.0778                           | 15.00   | (0.1)                    |
| Watson Pharmac.   | 0.75                   | 0.57                | 3.1868  | 0.0693                           | 11.50   | (0.6)                    |
| Washington Post   | 0.80                   | 0.64                | 3.5452  | 0.0771                           | 7.00  | (1.2)                    |
| Berkley (W.R.)  | 0.70                   | 0.53                | 3.3318  | 0.0725                           | 17.00   | 0.2                      |
| World Wrestling Ent.  | 0.80                   | 0.66                | 3.4256  | 0.0745                           | 31.50 (8)   | 2.2                      |
| Alleghany Corp.   | 0.80                   | 0.69                | 3.2827  | 0.0714                           | 6.50  | (1.3)                    |
| Average   | 0.77                   | 0.61                | 3.2816  | 0.0714                           |   |                          |
| Average for the Proxy Group of Six AUS Utility Reports<br>Water Companies |                        |                     |   |                                  |   |                          |
|   | 0.73                   | 0.56                | 3.3238 (3)  | 0.0723                           |   |                          |
| Median (4)  |                        |                     |   |                                  |   |                          |
|   |                        |                     |   |                                  | 14.50%  |                          |

See Page 2 for notes.

Apple Canyon Utility Company / Lake Wildwood Utilities Corp.  
Comparable Earnings Analysis  
for a Proxy Group of Twenty-Six Non-Utility Companies Comparable to the  
Proxy Group of Ten AUS Utility Reports Natural Gas Distribution Companies(1)

Rate of Return on Book Common  
Equity, Net Worth, or Partner's  
Capital  
5-Year Projected (2)

| Company Name   | VL<br>Adjusted<br>Beta | Unadjust<br>ed<br>Beta | Residual<br>Standard<br>Error<br>of the<br>Regression | Standard<br>Deviation of<br>Beta | 5 Year<br>Projection | Student's T<br>Statistic |
|--|------------------------|------------------------|---|----------------------------------|----------------------|--------------------------|
| AmerisourceBergen  | 0.70                   | 0.52                   | 2.6681  | 0.0580                           | 15.00 %              | (0.6)                    |
| Automatic Data Proc.   | 0.70                   | 0.54                   | 2.1526  | 0.0468                           | 16.00                | (0.6)                    |
| Baxter Intl Inc.   | 0.60                   | 0.37                   | 2.5631  | 0.0557                           | 26.50                | 0.2                      |
| Bard (C.R.)  | 0.60                   | 0.32                   | 2.5422  | 0.0553                           | 20.00                | (0.3)                    |
| Becton, Dickinson  | 0.60                   | 0.38                   | 2.5876  | 0.0563                           | 20.50                | (0.3)                    |
| Church & Dwight  | 0.60                   | 0.33                   | 2.4570  | 0.0534                           | 16.00                | (0.6)                    |
| Colgate-Palmolive  | 0.55                   | 0.30                   | 2.3334  | 0.0507                           | 36.00                | 0.9                      |
| Clorox Co.   | 0.65                   | 0.40                   | 2.3216  | 0.0505 (3)                       | 79.00                | 3.9                      |
| Campbell Soup  | 0.60                   | 0.33                   | 2.4305  | 0.0529                           | 35.00                | 0.8                      |
| Erie Indemnity Co.   | 0.70                   | 0.52                   | 2.2347  | 0.0486                           | 20.00                | (0.3)                    |
| Hormel Foods   | 0.65                   | 0.40                   | 2.6490  | 0.0576                           | 16.00                | (0.6)                    |
| Schein (Henry)   | 0.75                   | 0.59                   | 2.7289  | 0.0593                           | 15.00                | (0.6)                    |
| Hershey Co.  | 0.65                   | 0.46                   | 2.7670  | 0.0602                           | 42.50                | 1.3                      |
| Intl Flavors & Frag.   | 0.75                   | 0.59                   | 2.4033  | 0.0523                           | 21.00                | (0.2)                    |
| Kraft Foods  | 0.65                   | 0.46                   | 2.5589  | 0.0556                           | 10.50                | (1.0)                    |
| Kinder Morgan Energy   | 0.75                   | 0.59                   | 2.5093  | 0.0546                           | 24.50                | 0.0                      |
| Coca-Cola  | 0.60                   | 0.34                   | 2.2123  | 0.0481                           | 23.00                | (0.1)                    |
| Laboratory Corp.   | 0.65                   | 0.40                   | 2.6524  | 0.0577                           | 19.00                | (0.4)                    |
| McDonalds Corp.  | 0.65                   | 0.46                   | 2.4760  | 0.0538                           | 30.50                | 0.5                      |
| McCormick & Co.  | 0.55                   | 0.29                   | 2.5864  | 0.0562                           | 18.00                | (0.4)                    |
| PepsiCo, Inc.  | 0.60                   | 0.37                   | 2.2671  | 0.0493                           | 27.50                | 0.3                      |
| Pfizer, Inc.   | 0.75                   | 0.58                   | 2.7581  | 0.0600                           | 14.50                | (0.7)                    |
| Raytheon Co.   | 0.70                   | 0.54                   | 2.6520  | 0.0577                           | 17.50                | (0.5)                    |
| Sysco Corp.  | 0.70                   | 0.54                   | 2.6278  | 0.0571                           | 34.00                | 0.7                      |
| Tootsie Roll Ind.  | 0.70                   | 0.51                   | 2.5538  | 0.0555                           | 8.00                 | (1.1)                    |
| Wal-Mart Stores  | 0.60                   | 0.36                   | 2.3465  | 0.0510                           | 17.50                | (0.5)                    |
| Average  | 0.65                   | 0.44                   | 2.5015  | 0.0544                           |                      |                          |
| Average for the Proxy Group of Ten AUS Utility Reports<br>Natural Gas Distribution Companies | 0.66                   | 0.43                   | 2.4716 (3)  | 0.0538                           |                      |                          |

Median (4)

20.00%

See Page 2 for notes.



Apple Canyon Utility Company / Lake Wildwood Utilities Corp.  
Comparable Earnings Analysis

Notes:

- (1) The criteria for selection of the proxy group of eighty two non-utility companies was that the non-utility companies be domestic and have a meaningful projected rate of return on book common equity, shareholders' equity, net worth, or partners' capital 2012 – 2014 as reported in Value Line Investment Survey (Standard Edition). The proxy group of eighty two non-utility companies was selected based upon the proxy group of six AUS Utility Reports water companies' unadjusted beta range of 0.34 – 0.78 and standard error of the regression range of 2.8858 - 3.7618. These ranges are based upon plus or minus three standard deviations of the unadjusted beta and standard error of the regression as detailed in Ms. Ahern's direct testimony. Plus or minus three standard deviations captures 99.73% of the distribution of unadjusted betas and standard errors of the regression.
- (2) 2012 - 2014.
- (3) The Student's T-statistic associated with these returns exceeds 1.96 at the 95% level of confidence. Therefore, they have been excluded, as outliers, to arrive at proper projected returns as fully explained in Ms. Ahern's testimony.
- (4) The standard deviation of the group of six AUS Utility Reports water companies' standard error of the regression is 0.1460. The standard deviation of the standard error of the regression is calculated as follows:

$$\text{Standard Deviation of the Std. Err. of the Regr.} = \frac{\text{Standard Error of the Regression}}{\sqrt{2N}}$$

where: N = number of observations. Since Value Line betas are derived from weekly price change observations over a period of five years, N = 259

$$\text{Thus, } 0.1460 = \frac{3.3238}{\sqrt{518}} = \frac{3.3238}{22.7596}$$

- (5) Median five year projected rate of return on book common equity, shareholder's equity, net worth, or partners' capital including returns identified as outliers as outlined in Note (3) above.
- (6) The criteria for selection of the proxy group of twenty-six non-utility companies was that the non-utility companies be domestic and have a meaningful rate of return on book common equity, shareholders' equity, net worth, or partners' capital projected 2012 -2014 as reported in Value Line Investment Survey (Standard Edition). The proxy group of twenty-six non-utility companies was selected based upon the proxy group of ten AUS Utility Reports natural gas distribution companies' unadjusted beta range of 0.27 – 0.59 and standard error of the regression range of 2.1458 – 2.7974. These ranges are based upon plus or minus three standard deviations of the unadjusted beta and standard error of the regression as detailed in Ms. Ahern's direct testimony. Plus or minus three standard deviations captures 99.73% of the distribution of unadjusted betas and standard errors of the regression.
- (7) The Student's T-statistic associated with these returns exceeds 2.06 at the 95% level of confidence. Therefore, they have been excluded, as outliers, to arrive at proper projected returns as fully explained in Ms. Ahern's testimony.
- (8) The standard deviation of the proxy group of eight AUS Utility Reports natural gas distribution companies' standard error of the regression is 0.1086 (2.4716 / 22.7596).
- (9) Median five year projected rate of return on book common equity, shareholder's equity, net worth, or partners' capital including returns identified as outliers as outlined in Note (8) above.

Source of Information: Value Line, Inc., March 15, 2010  
Value Line Investment Survey (Standard Edition)